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M/043/004

May 2, 1995

TO: Wayne Hedberg, Minerals Permit Supervisor
FROM: Steve Schneider, O&G Audit Manager *Steve*
RE: 1994 Utelite Corporation Financial Statements

Per Mr. Kunzler's request, I have reviewed the 1994 Utelite Corporation ("Utelite") financial statements. In summary, Utelite continues as a profitable company and fixed assets have increased substantially in 1994, however Utelite's acquisition of additional plant equipment during the past year has hindered their ability to maintain the financial ratios desired by the Board of Oil, Gas & Mining in December 1988.

The following financial information is provided for your review:

1. The current ratio has declined to 2.77 from 6.24 last year. The change in 1994 is due to a decrease in cash on hand and an increase in current notes payable, likely to pay for the acquisition of additional plant equipment. The 1994 current ratio is less than the December 1988 standard of 9.61, however Utelite still maintains a current ratio which is more than double the Board's normal standard of 1.2 or greater. *OK*
2. The total liability to net worth ratio has increased in 1994 to .13 from .08 due to the increase in current notes payable. The 1994 ratio is greater than the Board's December 1988 standard of .08 or less, but is far less than the Board's normal standard of 2.5 or less. *OK*
3. Fixed assets increased in 1994 by 74% due to the purchase of additional plant machinery and equipment. Fixed assets in 1994 are 146% above the 1988 level.
4. Tangible net worth increased by 2% in 1994 and is 137% above the 1988 level.
5. Net income decreased by 18% in 1994, however net income is 325% above 1988's level.

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For your information, the notes to the financial statements indicate that Utelite may be forced to relocate their rail loading facility, pending the outcome of a jury trial currently scheduled for June 1995. Product shipped via rail accounts for approximately 24% of Utelite's total sales.

If you have any questions on the above comments or the attached financial ratios, please let me know.

Attachment

cc: R. J. Firth

Utelite Financial Ratio Review

	12/88	12/89	12/90	12/91	12/92	12/93	12/94
CUR ASSETS/CUR LIAB	9.61	12.39	8.46	8.08	17.56	6.24	2.77
Normal std of 1.2 or greater							
Board req'd 12/88 maintained							
TOTAL LIAB/NET WORTH	0.08	0.04	0.07	0.10	0.03	0.08	0.13
Normal std of 2.5 or less							
Board req'd 12/88 maintained							
FIXED ASSETS	\$603,208	\$711,737	\$973,650	\$1,141,181	\$942,346	\$856,031	\$1,485,834
Normal std of \$20 million							
Board did not require							
TANGIBLE NET WORTH	\$1,030,746	\$1,601,482	\$2,077,873	\$2,226,354	\$2,299,031	\$2,391,802	\$2,440,981
Normal std of \$10 million							
Board did not require							
NET INCOME	\$66,018	\$474,664	\$859,584	\$317,529	\$535,435	\$340,936	\$280,836
For information only							

SLS
4/20/95